

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## Mexico

### Poultry and Products Semi-annual

### Billion Dollar Market Retains Potential for Increased Sales

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**Report Highlights:**

FAS Mexico's supply and demand forecast for the 2014 broiler and egg situation is virtually unchanged. The United States once again exported over U.S. \$1 billion in related products to Mexico in 2013. New market opportunities still exist for the U.S. poultry sector in Mexico and consumption growth is promising.

**Executive Summary:**

Data included in this report is not official USDA data. Official USDA data is available at <http://www.fas.usda.gov/psdonlineonline>

**Commodities:**

Poultry, Meat, Broiler

**Production:**

The Mexican commercial broiler meat production forecast for 2014 is virtually unchanged at 3.05 million metric tons (MMT) as the sector's ongoing consolidation along with improved biosecurity measures has enabled the industry to overcome the challenges of the 2012 and 2013 Highly Pathogenic Avian Influenza (HPAI) outbreaks that occurred across the country.

Post's 2013 broiler meat production estimate is unchanged at 3.0 MMT and reflects long-term trends of steady growth and industry's efforts to overcome the 2012 HPAI outbreak. Post's 2012 broiler production estimate remains unchanged, as well.

As 6 out of every 10 kilograms of animal protein consumed in Mexico are either poultry meat or eggs, the sector is of critical importance within the agro-food sector.

**Poultry Sector Vigilant to HPAI. Is It Ready To Face Other Avian Influenza Outbreaks?**

National Poultry Union (UNA) sources emphasize that the joint UNA and National Service of Health, Food Safety, and Food Quality (SENASICA) efforts to combat HPAI are effective. Moreover, UNA stresses that the 2012 HPAI outbreak in the state of Jalisco had minimal effect on commercial broiler meat production as the HPAI outbreak was largely isolated to layer operations. Nevertheless, UNA and industry members acknowledge that the broiler sector is not immune from any potential new avian influenza (AI) outbreaks.

**Feed and Biosecurity Remain the Main Causes for Rising Production Costs**

Despite low international grain prices, feed remains the greatest component of poultry production costs. The poultry sector attributes improved biosecurity measures as driving production costs higher, as well. Additionally, fiscal reform implementation at the beginning of 2014 has led to increasing energy prices for (butane and gasoline) and additional taxes. Thus, production costs are expected to remain higher over the medium- to long-term and some of these costs will likely be passed along to consumers in the near term.

UNA and the Secretariat of Agriculture, Livestock, Rural Development, Fishery and Food (SAGARPA) recently launched an initial U.S. \$2.24 million contingency fund to manage potential emergencies in the poultry sector. It is likely that this contingency fund will help unify efforts to help offset higher production costs and provide insurance against potential risks for new AI or other disease outbreaks.

### **Jalisco and La Laguna Area Remain Production Leaders**

Official data from the Mexican Government shows little change in where broiler production is occurring. The data for 2013 broiler production reveals that the state of Jalisco is the leading state and the “*lagunera*” region (northeastern part of the state of Durango and the southwestern part of the state of Coahuila) have maintained their positions as the leading broiler producers. In 2012 and 2013, several of the leading producing states (Jalisco, Aguascalientes, Guanajuato, and Puebla) were affected by HPAI outbreaks but the “*lagunera*” region did not report any occurrences.

### **Consumption:**

#### **Seeking More Protein, Consumers Choose Broiler Meat**

The Post 2014 broiler meat consumption forecast is virtually unchanged at 3.73 MMT as is the post 2013 consumption estimate at 3.68 MMT. As previously reported, private sources indicate that consumption growth is recovering and per capita consumption levels appear on the upswing. Post’s 2012 consumption estimate is unchanged.

Despite coverage of the HPAI outbreak and related safety and quality of poultry products, consumers continued seeking economically viable animal protein options for their diet such as chicken leg quarters (CLQs) and processed chicken products.

#### **Poultry Meat Per Capita Consumption On the Upswing**

Post is forecasting sustained per capita consumption growth, albeit at a smaller rate, in 2014. UNA reports that per capita consumption has increased from 15.83 kg in 1994 to 25.8 kg. in 2012. UNA’s latest information indicates that consumption has reached 28 kilograms per capita.

This growth has been possible as more consumers have been exposed to more broiler meat options at attractive prices. Dark meat remains a staple food in most low-income household whereas high-value cuts and added-value processed products are consumed by middle and upper income households. Although not necessarily broilers, the markets around the country continue selling live birds.

Historically, the demand for broiler meat has been income elastic and this pattern is not expected to change in the mid- to long-term. For the first seven months of 2013, broiler prices showed greater increases than in prior years but for the second half of 2013 prices softened as supplies (domestic and imported) arrived to meet demand.

During 2013, broiler prices averaged 29.25 pesos per kilogram (U.S. \$0.99 per lb.) while CLQ’s averaged 31.78 pesos per kilogram (U.S. \$1.07 per lb.). During 2013, prices for pork and beef increased and, as such, demand for poultry meat remained strong. Pork prices averaged 34.87 pesos per kilogram (U.S. \$1.18 per lb.) and beef prices averaged 47.36 pesos per kilogram (non-fine cuts at U.S. \$1.60 per lb.) for calendar year 2013.

Although HPAI did not directly affect broiler operations in 2013, the price changes during the first months of 2013 were attributed to the HPAI outbreaks at progenitor establishments in Guanajuato.

Table 1. Mexico: Mexico City Whole Chicken Monthly Prices, 2012-2014 Pesos/kilogram				
Month	2012	2013	2014	% Change 13/14
January	25.68	29.43	31.92*	8.46
February	26.84	30.52	n/a	n/a
March	24.95	31.92	n/a	n/a
April	19.92	33.10	n/a	n/a
May	22.77	35.48	n/a	n/a
June	24.52	37.19	n/a	n/a
July	25.79	29.52	n/a	n/a
August	24.63	22.52	n/a	n/a
September	26.38	24.84	n/a	n/a
October	27.65	23.92	n/a	n/a
November	27.16	22.61	n/a	n/a
December	28.38	30.06	n/a	n/a
Annual Avg.	25.38	29.25	n/a	n/a
* New York dressed (whole chicken including offal)				
Source: SNIIM, Secretariat of Economy				
*As of 1 <sup>st</sup> week of February				

Table 2. Mexico: Mexico City Chicken Leg Quarter Wholesale Monthly Prices, 2012-2014 Pesos/kilogram				
Month	2012	2013	2014	% Change 13/14
January	30.51	28.14	31.80*	13.01
February	30.87	30.53	n/a	n/a
March	25.92	31.91	n/a	n/a
April	21.83	33.09	n/a	n/a
May	24.83	34.38	n/a	n/a
June	25.29	37.33	n/a	n/a
July	28.41	34.98	n/a	n/a
August	24.41	29.38	n/a	n/a
September	24.39	30.26	n/a	n/a
October	26.72	28.88	n/a	n/a
November	28.12	30.94	n/a	n/a
December	27.91	31.57	n/a	n/a
Annual Avg.	26.60	31.78	n/a	n/a
Source: SNIIM, Secretariat of Economy				
*As of 1 <sup>st</sup> week of February				

**Trade:**

**The United States Remains Mexico's Main International Poultry Supplier**

The United States exports of poultry and poultry products; including broiler and turkey meat, eggs, and hatching eggs, etc. exceeded U.S. \$1.1 billion in 2012 and as of November 2013 exceeded U.S. \$1.2 billion. In all likelihood, numbers should surpass those in 2014, as well.

During the first 11 months of 2013, approximately 98 percent of Mexico's chicken and turkey imports originated from the United States. Chile and Canada continued supplying product, as well. Although Mexico opened a 300,000 MT tariff rate quota (TRQ) for all trading partners with whom Mexico did not have an existing free trade agreement (FTA), as of November 2013 only 124 MT was imported from Brazil. Some sources suggest that the lack of information about prices, consumer preferences, and infrastructure (i.e., cold chain for such imported product) were chiefly responsible for low volumes. Although increased experience will allow suppliers to overcome these obstacles, Post does not foresee Brazil becoming a major supplier to Mexico in the near-term; especially as Mexican poultry production strengthens.

#### **Broiler Meat for Processors and Retail Establishments**

The Post 2014 broiler meat import forecast is maintained unchanged at 690,000 MT as demand for mechanically separated/deboned poultry meat from meat processors remains stable. Also, fast food establishments are expanding and introducing innovative products to cover consumer demand for poultry meat. As poultry prices have remained competitive with regards to pork and beef, consumers are continuing to demand poultry products and domestic production, albeit in recovery, has not been able to meet supply. Also, too, the Government of Mexico (GOM) has held antidumping duties on U.S. CLQs in abeyance.

The 2013 Post import estimate has been revised marginally to 680,000 MT based on available trade data. Import estimates for 2012 were kept unchanged and are based on official data.

The Post 2014 export forecast is unchanged at 5,000 MT as is the 2013 export estimate. The 2012 export figure was kept unchanged to reflect official figures.

#### **Mexican Exports Still Largely Shut Out of International Markets**

Numerous export destinations closed their doors to Mexican poultry after the mid-2012 HPAI outbreak in the state of Jalisco. Moreover, the January/February 2013 HPAI outbreaks in the states of Jalisco, Aguascalientes and Guanajuato worked against Mexico gaining greater international market access in new locations. Mexico's current exports are limited generally to processed products that have received thermal processing such as food preparations (e.g., chicken hot dogs) and egg products. Mexico has not completed the necessary requirements for equivalency in poultry slaughter nor does it have U.S. recognition as disease free for exotic Newcastle disease (END) or avian influenza (AI) that would afford it greater access to the United States and the ability to use Mexican origin and Mexican slaughtered broilers.

#### **Policy:**

##### **Single Window for Trade Has Not Yet Met Expectations**

Mexico implemented the "New Single Window for Trade" (VUCEM by its Spanish acronym) at all border crossing points by early October 2013. The program had been undergoing trials at certain crossing points throughout the year. The system allows brokers to electronically file documentation that accompanies cargo shipments of any and all products and was specifically intended to streamline the

Customs clearance process. Trade sources report, however, that the electronic system requires more time than the previous paper system. Mexican authorities are working on improving efficiencies and looking for ways to expedite document and product reviews.

### **Federally Inspected Type (TIF) Establishments Supported**

In late January 2014, SAGARPA announced nearly U.S. \$50 million in government support to promote abattoirs and processing plants under federal oversight and inspection. SENASICA claims that the support will be used to help guarantee the production and processing of safe meat and poultry products. Sources within the poultry sector indicate, however, that despite government effort to support TIF establishments, the poultry sector will receive limited support.

### **Anti Dumping Investigation into Imports of U.S. CLQs**

As previously reported, Mexico has chosen not to impose any duties on imported U.S. CLQs. On August 6, 2012, the GOM through the Secretariat of Economy (SE) announced the final resolution for the AD case on the import of U.S. CLQs and the compensatory duty levels for these imported products. However, in light of the 2012 AI outbreak in the state of Jalisco and increased poultry and egg prices, SE determined that the compensatory duties would not be imposed until the supply and demand situation stabilized.

### **Mexico authorizes duty-free quota of broiler meat under its WTO commitments**

Under NAFTA, U.S. products enter duty-free and are not subject to the TRQ. On May 15, 2013, SE announced in the Mexican Federal Register (*Diario Oficial*) a duty-free import quota of 300,000 MT fresh, chilled or frozen broiler meat under HTS codes: 0207.11.01, 0207.12.01, 0207.13.03, 0207.13.99, 0207.14.04, and 0207.14.99 for calendar year 2013. SE has extended the original duty-free expiration date from December 31, 2013, to February 28, 2014.

### **Mexico Recovering from the 2012 and 2013 HPAI Outbreak. Others Popping Up.**

At present, 700 million doses of HPAI vaccine have been issued. The SAGARPA Palo Alto Biosecurity Lab recently confirmed another H7N3 HPAI outbreak in Oaxaca. As a result, 7 breeding farms in the area were also given permission to vaccinate and SENASICA setup preventive quarantine in the area that will be lifted upon the eradication of the virus.

In August 2013 another HPAI outbreak made the headlines when zoo-sanitary and animal health authorities from the GOM notified the World Organization for Animal Health (OIE) about the resurfacing of an AI outbreak in the state of Jalisco. This situation is reportedly under control.

### **Marketing:**

#### **Market Segments Offer Different Opportunities. Know Your Buyers Wants and Needs**

In recent years, the Mexican market for poultry meat and eggs has experienced significant changes that have made an impact on what and how poultry products are imported from the United States. The recent HPAI outbreak and the consolidation of Mexican poultry production have shifted the potential opportunities from bulk business to dealing with individual companies needing U.S. product as a raw material for further processing.



Poultry (broiler and turkey) as a commodity marketed in Mexico is a mature sector with small profit margins that is dominated by local players controlling over 70 percent of the market. In foodservice, due to logistics challenges, the quality control requirements, and the overall preference for fresh products, exporters will face a difficult road, too. Not surprisingly, U.S. market share in the foodservice sector is less than 10 percent. The situation for retail is very similar. Imports, again, represent around 10 percent of the overall retail poultry meat supply. U.S. cuts had been used as a loss leader to generate store traffic; with retailers sometimes discounting prices over 50 percent so that the products were even cheaper than beans and tortillas. This practice is now changing, too.

As entry into the poultry commodity sector can be difficult for the aforementioned areas, the opportunities now rest with the meat processing sector. In the meat processing sector, both the international and Mexican industry players have concentrated their efforts, in a coordinated way. Companies are seeking to expand the share of the added-value market, which, in Mexico accounts for only 3 to 4 percent of total chicken meat consumption. (Note: By comparison, this number is around 50 percent in the United States).

Demand for CLQs, mechanically separated poultry (MSP), chicken breast trimmings, whole chickens and turkey thighs and drumsticks to be processed in Mexican plants using Mexican labor advantages is growing. This opportunity is also being targeted with educational efforts and industry coordination. As such, the meat processing industry is seeking to make new, innovative, healthy, ready-to-eat products, which in turn represent more opportunities for U.S. origin poultry raw materials. Additionally, price-sensitivity is reduced by the added-value process, since meat is combined with food ingredients and other fillers.

With eggs, the market opportunities are different. U.S. egg imports are being sought to help stabilize supply and prices. Nevertheless, U.S. eggs may have some cache as in some regions like northern Mexico. U.S. eggs are recognized as high quality products. U.S. eggs have the opportunity to be positioned in said markets as a niche product. Moreover, processed egg products are also being seen as a high quality and readily accessible product for food manufacturers relying on the convenience, affordability, and consistent quality of U.S. supplied materials.

### **Upcoming Trade Shows and Promotional Opportunities**

Marketing and promotional activities are very common in Mexico as the country is considered a strategic market by the U.S. poultry industry. U.S. suppliers and exporters can access information and assistance useful for approaching the Mexican market through two Agricultural Trade Offices (located in Mexico City and Monterrey) and by local offices of the USA Poultry and Egg Export Council (USAPEEC). As referred in the 2013 Exporter Guide and other GAIN reports, U.S. exporters should seek meeting with potential Mexican partners in the retail, foodservice and food processing industries by participating in shows like Expo Carnes (late winter or early spring 2015 in Monterrey), ANTAD (March 2014 in Guadalajara) ABASTUR (September 2014 in Mexico City) and other conferences, seminars, and industry-related events.

### **Production, Supply and Demand Data Statistics:**

Poultry, Meat, Broiler Mexico	2012		2013		2014	
	Market Year Begin: Jan 2012		Market Year Begin: Jan 2013		Market Year Begin: Jan 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Inventory (Reference)	0	0	0	0	0	0

<b>Slaughter (Reference)</b>	0	0	0	0	0	0
<b>Beginning Stocks</b>	0	0	0	0	0	0
<b>Production</b>	2,958	2,958	3,002	3,002	3,045	3,047
<b>Total Imports</b>	616	616	675	680	690	690
<b>Total Supply</b>	3,574	3,574	3,677	3,682	3,735	3,737
<b>Total Exports</b>	5	5	5	5	5	5
<b>Human Consumption</b>	3,569	3,569	3,672	3,677	3,730	3,732
<b>Other Use, Losses</b>	0	0	0	0	0	0
<b>Total Dom. Consumption</b>	3,569	3,569	3,672	3,677	3,730	3,732
<b>Total Use</b>	3,574	3,574	3,677	3,682	3,735	3,737
<b>Ending Stocks</b>	0	0	0	0	0	0
<b>Total Distribution</b>	3,574	3,574	3,677	3,682	3,735	3,737

MIL HEAD, 1000 MT, PERCENT, PEOPLE, KG

NOT OFFICIAL USDA DATA

## **Commodities:**

Poultry, Eggs

## **Production:**

### **General information:**

The Post 2014 Mexican table egg production forecast remains 2.6 MMT. Sources report that Mexico is producing 108 million boxes (containing 360 eggs) on an annual basis. Eighty percent is sold in bulk while the remaining 20 percent is packaged for retail consumption.

Egg producers continue struggling with implementation of appropriate biosecurity measures. Sources suggest that manure management and facility access are two areas receiving special attention.

Even though there is no significant difference in nutritional content, brown eggs are historically more expensive than white eggs due to the perception that they are of better quality and more protein content.

### **UNA's Analysis Shows That Egg Production Is Fully Recovered**

UNA's final estimate for 2013 egg production is 2,522,428 MT. This was 5.7 percent greater than 2012 production which was estimated at 2,386,576 MT. This is due to Mexican industry efforts to repopulate farms at a rate of 4.5 to 5 million birds per month. UNA estimates that future egg product growth will be more stable at about 2 percent per year.

## **Egg Prices:**

Egg prices climbed sharply at the beginning of 2013 as Mexico struggled with HPAI outbreaks at progenitor establishments around the country. According to the National Service of Market Information (SE/SNIIM) egg prices now range between 23 and 24 pesos per kilogram for most urban centers and have been stable since the last quarter of 2013.





### **Consumption:**

In 2011, per capita annual egg consumption was 22.4 kilograms (approximately 330 eggs) per person. Per capita consumption reportedly dropped in 2012 to about 20.8 kg as the HPAI outbreak led to higher egg prices and even product scarcity. In 2013, however there was some recovery for prices and supplies as per capita annual egg consumption grew to 21.9 kilograms.

### **Trade:**

According to SE data, Mexico imported 46,186 MT of eggs in 2013. Mexican firms have been importing U.S. eggs to help meet Mexican demand for table eggs as well as eggs for breaking/processing use. Post forecasts that imports of both table eggs and egg products should remain strong through 2014 as consumers and processors become more accustomed to high-quality U.S. eggs and companies gain experience in managing the necessary logistics.

### **Prices, Not Egg Refrigeration, A Concern for Mexican Consumers**

Initially, local traders were concerned with importing U.S. table eggs due to the lack of adequate refrigeration facilities at large terminal markets. Other expressed concerns with U.S. eggs over their lighter yolks. These appear non-critical factors, however, as consumers are more concerned with point of sale prices and brand familiarity.

Post has seen that many Mexican egg firms are purchasing U.S. eggs and repacking the products by transferring them from their U.S. boxes to Mexican known brand boxes at wholesale and retail markets.

### **Available Supplies Limiting Egg Exports**

Mexican egg exports decreased due to supply limitations and the closure of foreign markets. As of today, Mexican egg and egg product exports are only permitted if they are pathogen free or have received a thermal process.

### **Policy:**

#### **U.S. Authorities and Certifications for Eggs and Related Items**

Post continues working with USAPEEC to explain to Mexican authorities the differences in regulatory authority and certification ability of U.S. Government agencies with oversight for eggs, egg food products, and processed eggs with hatching eggs under the authority of the Animal and Plant Health Inspection Service (APHIS), processed egg products like egg whites, yolks, and albumin under the

authority of the Food Safety and Inspection Service (FSIS), table eggs under the authority of the Agricultural Marketing Service (AMS), and egg food products like hard boiled eggs or frozen egg omelets under the authority of the U.S. Food and Drug Administration but certified for Mexico by AMS.

**Marketing:**

See section in broiler meat marketing.

**Author Defined:**

FAS/Mexico Web Site: We are available at [www.mexico-usda.com.mx](http://www.mexico-usda.com.mx) or visit the FAS headquarters' home page at [www.fas.usda.gov](http://www.fas.usda.gov) for a complete selection of FAS worldwide agricultural reporting.

**Other Relevant Reports Submitted by FAS/Mexico:**

Report Number	Subject	Date Submitted
MX4011	SAGARPA to Provide USD 50 Million for Abattoirs and Processors	2/4/2014
MX3068	Egg Certification Policy Changes with Price and Trade Snapshot	9/11/2013
MX3066	Poultry and Products Annual	8/30/2013
MX3048	Newly Authorized Meat and Poultry Exporters to Mexico	6/20/2013
MX3047	Educational Sessions for Meat and Poultry Trade Exporters to Mexico	6/20/2013
MX3026	Broiler Meat Production and Trade Update	3/22/2013
MX3011	Poultry Semi-Annual – First \$1 Billion Poultry Market for American Exporters	2/13/2013

**Useful Mexican Web Sites:** Mexico's equivalent to the U.S. Department of Agriculture (SAGARPA) can be found at [www.sagarpa.gob.mx](http://www.sagarpa.gob.mx), equivalent to the U.S. Department of Commerce (SE) can be found at [www.economia.gob.mx](http://www.economia.gob.mx) and equivalent to the U.S. Food and Drug Administration (SALUD) can be found at [www.salud.gob.mx](http://www.salud.gob.mx). These web sites are mentioned for the readers' convenience but USDA does NOT in any way endorse, guarantee the accuracy of, or necessarily concur with, the information contained on the mentioned sites.